

Business leagues; digital computer users. A nonprofit organization, whose members represent diversified business that own, rent, or lease digital computers produced by various manufacturers, organized to improve the efficiency of its members' use of computers, qualifies for exemption under section 501(c)(6) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization was formed to stimulate the development of, with free interchange of information pertaining to, systems and programming of electronic data processing equipment. Its membership is made up of representatives of diversified business who own, rent, or lease one or more digital computers, produced by various manufacturers, without regard to identity of the manufacturer of any such computer.

The organization holds semi-annual conferences, lasting from two to four days, at which operational and technical problems relating to computer use are discussed. Nonmembers are invited to attend the conferences and are encouraged to join as members. The organization does not provide counseling or other services to its members with respect to specific individual problems.

The speakers at the conferences typically include both members as well as recognized professionals in the computer industry. Also, manufacturers of computer equipment are invited to attend and disseminate current information relative to their equipment.

Income is from conference registration fees. Expenditures are made for meeting expenses, and miscellaneous administrative costs.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

Rev. Rul. 65-164, 1965-1 C.B. 238, and the decision in the case of *Associated Industries of Cleveland v. Commissioner*, 7 T.C. 1449 (1946), acq. 1947 C.B. 1, cited therein, hold that

organizations dealing with common business interests which are the business problems the members have in common qualify for exemption under section 501(c)(6) of the Code.

Here, the common business interest of the members of the organization is their common business problem concerning the use of digital computers. The primary objective of the organization is to provide a forum for the exchange of information which will lead to the more efficient utilization of computers by its members and other interested users, and thus improve the overall efficiency of the business operations of each. Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(6) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(6) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.